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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 001386

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TAGS: [ECON](#) [PREL](#) [EFIN](#)  
SUBJECT: IRAQ COMPACT: GOI ACTIONS AND POST RECOMMENDATIONS  
FOR ACTION

REF: SECSTATE 50503

Classified By: Ambassador Ryan Crocker for reasons 1.4 (b) and (d).

¶1. (C) SUMMARY. The confluence of the May 3 Compact launch and the May 4 Neighbors, Conference adds a further important dimension to the Compact process. This message lays out embassy thoughts on how to get the greatest bounce from the Compact event and leverage the Saudi debt relief offer to resolve as many of Iraq,s debt problems as possible, recognizing the substantial efforts that Washington has already made in that direction. Below are major developments in GOI outreach efforts, as well as USG interventions in support of these efforts. We also detail some additional suggestions for the broader USG engagement to ensure a coordinated effort as well as maximum participation and robust commitments from Iraq,s international partners in support of the ICI. END SUMMARY.

¶2. (C) The ICI launch, coupled with the Neighbors, Conference the following day, will be critical to solidify regional and international engagement with Iraq on both its economic reform agenda and the process of national reconciliation.

¶3. (C) With the May 3 event rapidly approaching, we need to do all we can, in coordination with the Iraqis, to prepare for success. We are aware that an action plan has been developed through the inter-agency process in Washington, and we are supportive of the efforts outlined therein. However, we also wish to provide some additional perspective on this plan to ensure actions are fully coordinated.

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Status of GOI Actions  
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¶4. (C) The GOI is actively engaged in reaching out to the international community to encourage the fullest possible participation in the launch event. They will, however, continue to require our support and encouragement to ensure that these messages are reinforced from the international community. PM Maliki will take up debt relief on his current visit to Egypt, Kuwait, and the UAE. Central Bank Governor Shabibi and UN Special Envoy Ibrahim Gambari will travel to Kuwait, Bulgaria and Brussels to push for additional commitments under the ICI. Foreign Minister Zebari has become more actively engaged on the ICI since the announcement of the launch event, and the FM says he intends to call his counterparts in Bulgaria, Russia and China to urge for debt relief under the ICI. Additional high-level visits are possible. DPM Salih is equally engaged in outreach to the Russians and Turks, and is coordinating those efforts with the FM.

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USG Actions and Proposed Action Plan  
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15. (C) We are actively tracking the GOI efforts leading up to the ICI launch and believe that Iraqi-led efforts will ultimately be the most effective way of showing the international community that the GOI is able to lobby effectively for its own interests. Thus, USG efforts should follow on and support GOI activities.

16. (C) We have urged Oil Minister Shahrستاني to engage with China to convince them to announce debt relief on May 3. Barham Salih is meeting Shahrستاني April 23 to coordinate this message. We are working closely with the DPM to ensure the GOI has a coordinated media strategy for the May 3 event.

We have encouraged FM Zebari to call his counterparts in Bulgaria, Russia and China. We are also recommending that the DPM focus his efforts on the Arab development institutions. Talking points on country-specific issues, particularly on debt relief, are being made available to the GOI.

17. (C) In support of these efforts, we suggest additional efforts in the following areas as priority actions:

- \* We recommend continued approaches to capitals, particularly those that the GOI will lobby directly based on their own priorities. These include Kuwait, Egypt, Russia, Bulgaria and the UAE. In particular, while pressing for minister-level attendance is critical (we believe all of the above have confirmed Ministerial participation except the UAE), we hope posts will go a step further and make a final push for robust commitments to be announced on May 3. Such commitments should include debt relief but also technical assistance, concessionary loans, and other forms of support. Understanding that such commitments often require

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parliamentary or other lengthy approvals, we also encourage governments to announce commitments or intended commitments, in general terms if necessary.

- \* We suggest continued calls from S, Deputy Treasury Secretary Kimmitt, and other high-level USG officials to

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their counterparts in the countries mentioned above to underscore the importance of demonstrating robust support for the ICI through commitments to be announced May 3.

- \* Kuwait: Given recent progress on restructuring of Saudi debt, we believe that a final GOI push for Kuwaiti debt forgiveness, backed by USG support, may show progress. This is especially true given that Kuwait is unlikely to be able to obtain better terms for debt relief in the future, especially as more countries settle their claims against Iraq. We appreciate the political sensitivity in Kuwait over the issue, but also note that the GOI is convinced that now is the time to seek progress on Kuwaiti debt. Suggest we explore an innovative solution to the war reparations Iraq pays to Kuwait from its oil revenues, by setting up a framework for redirecting war reparations back into Iraq through investment and development projects under the Kuwait Fund. Barham Salih told emboffs on April 22 that this approach would yield the greatest tangible benefits. Finally, Kuwait should consider relinquishing its claims against Iraqi Airways, which continues to comprise a significant obstacle to the development of the air transportation sector in Iraq. Given the political sensitivity of these issues, it will be important to stress that these are commitments to the Iraq people, and underscore the interest for Kuwait of a stable, peaceful Iraq.

- \* Russia: As noted, FM Zebari said he will contact the Russian FM to push for an announcement on debt relief. Our message should focus on the need for Russia to live up to its commitments under the Paris Club; what is being asked of Russia is simply that they abide by their agreements and

should not be perceived as a special request. Thus, with Russia in particular, Iraq efforts should be in the lead, with supporting messages from USG counterparts.

\* The finalization of the ICI should also be viewed as an opportunity to press the UN to reaffirm their commitment to a fully staffed operation in Baghdad. The drawdown of staff late last year has reduced the UN,s ability to support the many projects it has in Iraq, and the creation of ICI implementation mechanisms will place an even greater demand on their personnel. The World Bank,s recent increase in staffing should give the UN additional impetus for returning staff that were drawn down.

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